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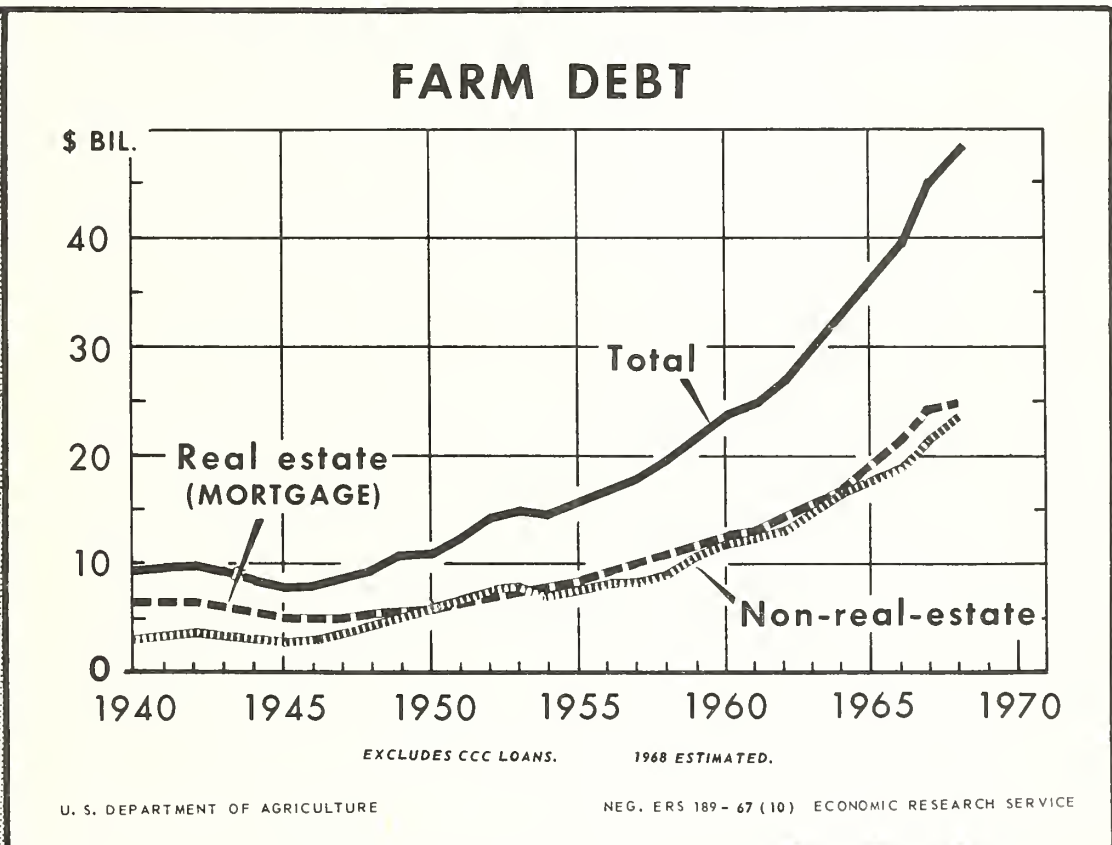
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AGRICULTURAL
FINANCE OUTLOOK

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Farmers used a record amount of non-real-estate credit during 1967, while the growth in mortgage debt slowed. Non-real-estate credit was more readily available and interest rates increased less than on mortgage loans. As in other recent years, the increase in farm debt in 1967 was much less than the increase in farm asset values.

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This report was prepared by the Farm Production Economics Division, Economic Research Service. The report is based largely on information received during late September from the district Farm Credit banks, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve System, the Agricultural Committee of the American Bankers Association, the farm-mortgage departments of several life insurance companies in various parts of the United States, and the field staff of the Farm Production Economics Division. The excellent contributions of all of these individuals are appreciated.

1968 AGRICULTURAL FINANCE OUTLOOK

Approved by Outlook and Situation Board, November 1, 1967

THE OUTLOOK FOR 1968

The outlook for 1968, in general, is for a continuation of financial conditions prevailing in 1967. Although net farm income in 1967 will be below that for 1966, farmers generally will enter 1968 in a relatively favorable financial condition. Proprietors' equities increased by \$7.5 billion--the net result of close to a \$12-billion increase in the value of farm assets and a \$4.2-billion increase in farm debt during 1967. The preliminary Balance Sheet of Agriculture for January 1, 1968, shows that total outstanding farm debt represents less than 18 percent of the value of farm assets.

1967 was a year of uncertainty. At the beginning of the year, farmers were adjusting to a relatively new tight money situation, prospects for declining crop and livestock prices, and uncertainty regarding the role of American agriculture in meeting the food needs of the world's hungry people. Going into 1968, farmers will have had an additional year of experience in coping with a money situation that continues to be tight relative to the years 1960-65. Crop and livestock price prospects are less uncertain now than at this time last year. Moreover, excitement over prospective needs for greatly increased food production has subsided. While there continue to be uncertainties with respect to the course of the Vietnam hostilities and the proposed tax increase, farmers generally will enter 1968 with less uncertainty than was the case at the beginning of this year.

Realized net farm income in 1968 probably will be maintained at about the same level as in 1967. Cash farm income (including Government payments) in 1968 should exceed that of 1967 by around a billion dollars, but expenses are expected to increase by a like amount. Slightly stronger livestock prices and a larger volume of crop marketings are expected to boost cash receipts from farm marketings. Direct Government payments are also expected to be higher in 1968.

Realized net farm income in 1967 is estimated to be about 10 percent below the near record of \$16.4 billion in 1966. Income to farm families from nonfarm sources is expected to total about \$6.9 billion in 1967, about the same as 1966.

Production expenses will continue to increase in 1968. Prices of most purchased inputs of nonfarm origin are expected to continue their upward trend. The value of machinery purchases is expected to slightly exceed that in 1967 as farmers try to match machinery, larger farming operations, and newer crop technologies. Farmers are using more total inputs and purchasing an increasing proportion of those inputs. Real estate taxes and total interest payments are expected to rise noticeably in 1968. A record crop of feed grains in 1967 is expected to result in abundant feed supplies and lower feed costs next year.

The demand for short-term credit was strong in 1967 and is expected to increase in 1968. Farmers used a record amount of borrowed funds for operating expenses in 1967 despite higher interest rates. Correspondents

indicated that farmers are likely to want to finance an even greater proportion of their increasing production expenses with short-term loans in 1968. Most respondents felt that farmers were becoming accustomed to higher interest rates and were more interested in continued access to funds to finance operating expenses.

The volume of farm real estate loans made during 1967 decreased. This was partly the result of increased screening by lenders who had less money to lend. It may also have been due in part to the interest rate structure. Interest rates on new farm mortgage loans have risen by one-half to one percent since early 1966. Correspondents indicated that as a result of these higher rates, together with lower incomes in 1967, some farmers were postponing longer-run investments. Too, interest rates on short-term loans have risen less rapidly and there appears to have been some shifting to shorter-term loans as both borrowers and lenders sought to avoid long-term commitments in an uncertain money market. These factors are expected to continue to influence the demand for new farm mortgage funds in 1968.

The supply of loanable funds for farmers' operating expense is expected to be adequate in 1968. In general, most farmers have been able to obtain financing even in periods of tight money. All sources of short-term financing have shown increases in total amounts of lending. These sources include supplier financing as well as the commercial, cooperative and public lending institutions. Total deposits of agricultural banks increased more from mid-1966 to mid-1967, than in the previous 12-month period. Correspondents felt that lenders were appraising loan applications more carefully and were looking more to the productivity and repayment potential of the borrower, rather than loaning on the basis of security or net worth.

Funds for new farm mortgage loans appear to be available. However, loans from life insurance companies, an important source of farm mortgage loans, will continue to be limited because of higher return investment opportunities available to insurance companies in other sectors of the economy. In addition, some farmers have found the 6-percent legal maximum interest rate charged by the Federal land banks more attractive than the higher rates insurance companies must charge to compete with nonfarm investment opportunities. In some States, commercial banks have increased their farm mortgage lending. Individual sellers have increased in importance as a source of financing for farmland transfers. Correspondents in States where interest rates are limited by State law to 6 percent have noted some decrease in the flow of funds from outside commercial lenders.

Non-real-estate debt increased by a greater proportion than did real estate debt in 1967, reflecting the relative slowdown in the volume of new farm mortgage loans made after mid-1966. Still, total farm borrowings continued to rise strongly in 1967. The estimated 9-percent increase in farm debt is only slightly below the rapid gains of recent years. Although the repayment rate on mortgage loans was lower in 1967 than in 1966, the delinquency rate continued very low.

Not all farmers are in strong financial condition. A midyear survey of agricultural banks conducted by the American Bankers Association indicated that bankers felt that 72 percent of their borrowers would have little difficulty in meeting their debt repayment commitments during the next 12 months, 25 percent will meet their credit obligations but only with considerable difficulty, and 3 percent of their farm credit customers

will be unable to meet their debt repayments. Comparable estimates for mid-1966 were 76, 21, and 3 percent, respectively.

Proprietors' equities are expected to have increased by more than 3 percent by the end of 1967 and should increase at approximately the same rate during 1968. At the end of 1967, farmers' and other owners' equity in farm assets should reach an estimated record \$231 billion, up 30 percent from \$179 billion at the beginning of 1960.

The supply of funds in the central money markets has tightened in recent months. Most correspondents felt that the cost of loan funds would remain high and possibly increase slightly during 1968.

FINANCIAL DEVELOPMENTS IN 1967

The value of farm assets, and owner's equities in these assets, increased substantially in 1967 although farm commodity prices and net incomes were not as high as the favorable 1966 level. In 1967 the value of farm assets is estimated to have risen about 4 percent, compared with a 5-percent increase during 1966. Farm debt increased \$4.2 billion in 1967 compared with the gain in asset values of nearly \$12 billion (table 1).

Proprietors' equities are expected to have increased by more than 3 percent or \$7.5 billion by the end of 1967. While this increase is greater than that of most years of the past decade, it is below that of 1966 and the near-record advance of 1965. At the end of 1967, the net worth of farmers and other owners of farm property is estimated at about \$231 billion.

The latest official estimate available for prices of farmland showed prices increased less rapidly from November 1966 to March 1967 than in the 4-month period of a year earlier. Some reporters expressed a belief that farmland prices have advanced less rapidly during 1967 than in 1966. The less active land market in some regions may have reflected the less favorable farm commodity prices as well as reduced availability of and higher interest rates on farm mortgage loans. Several reporters pointed to the continuing strong demand for farmland for enlargement, and indicated that more farm property sales than usual were being financed by the sellers of the farms.

Values of physical assets other than farmland increased less in 1967 than in 1966. Livestock values probably did not change much in 1967, and farmer-owned crop inventories probably declined. Prices of livestock and crops are expected to be lower at the end of 1967 than a year earlier. Farm machinery inventory values continued to rise as new purchases have been greater than depreciation and "wear-out." Financial assets of farmers are estimated to have increased at about the same rate in 1967 as in the previous year.

Weather conditions have been generally favorable in many areas this year and a record total crop output is indicated. A record feed crop is in prospect, considerably improved from 1966 (fig. 1). Record output is also forecast for wheat, soybeans, and some other crops. Cotton production was sharply reduced because of smaller acreage and lower yields. Livestock production continued to increase in 1967.

Table 1.--Balance Sheet of Agriculture, Jan. 1, 1967 and 1968

Item	Jan. 1, 1967	Estimate for Jan. 1, 1968	Net change	
	Billion dollars	Billion dollars	Billion dollars	Percent ^{1/}
ASSETS				
Physical assets:				
Real estate ^{2/} -----	182.0	191.5	9.5	5.2
Non-real-estate-----	66.3	67.7	1.4	2.2
Financial assets-----	21.2	22.0	.8	3.8
Total-----	269.5	281.2	11.7	4.4
CLAIMS				
Liabilities:				
Real estate debt-----	23.3	25.0	1.7	7.3
Non-real-estate debt to--				
Reporting and non-				
reporting creditors-----	21.2	23.6	2.4	12.1
Commodity Credit				
Corporation-----	1.2	1.3	.1	15.0
Total-----	45.7	49.9	4.2	9.3
Proprietors' equities-----	223.8	231.3	7.5	3.3

^{1/} Computed from unrounded data.

^{2/} Real estate values are as of March 1.

Gross farm income in 1967 probably will total slightly less than the record \$49.7 billion reached in 1966. With expenses increasing further in 1967, the realized net income of farm operators is estimated at around \$14-3/4 billion compared with \$16.4 billion in 1966.

As in other recent years, the trend toward fewer and larger farms with increasing capital investments continued in 1967. One reporter in Wisconsin commented that ". . . many farmers are expanding their herds while others are quitting dairying altogether. Generally farmers who quit are not being replaced. . . . Their land and better cattle are absorbed into other going operations while the poorer cows are sold for beef. . . ." Off-farm employment opportunities were reported greater than last year in many areas, with more farm people working part-time or full-time at nonfarm jobs. Wage rates for hired farmworkers will be up about 8 percent in 1967, similar to the increase last year.

Total farm indebtedness continued to rise strongly in 1967, approaching the rapid expansion of the previous year. Non-real-estate funds have continued to be more readily available than farm mortgage funds since

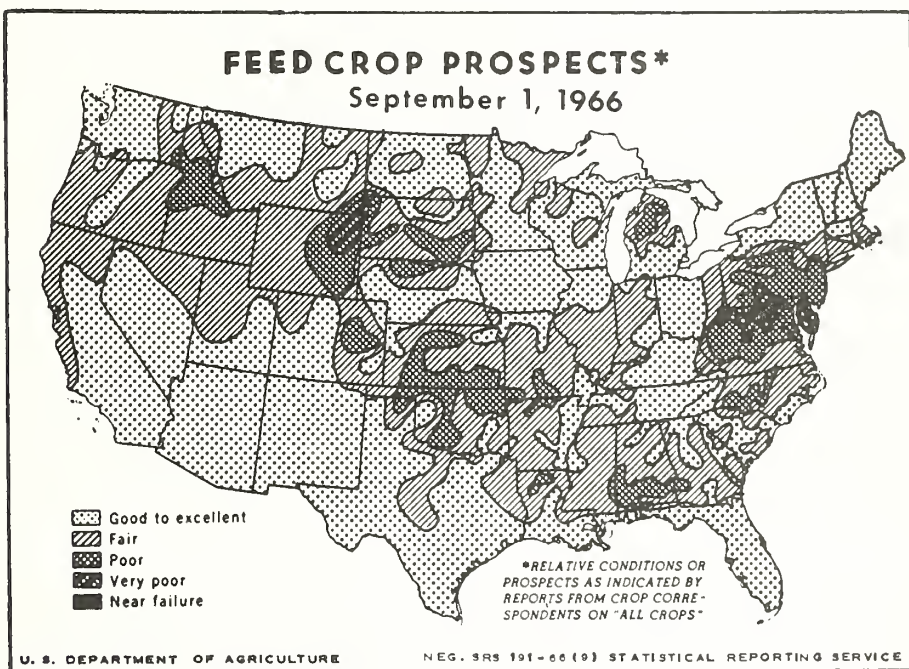
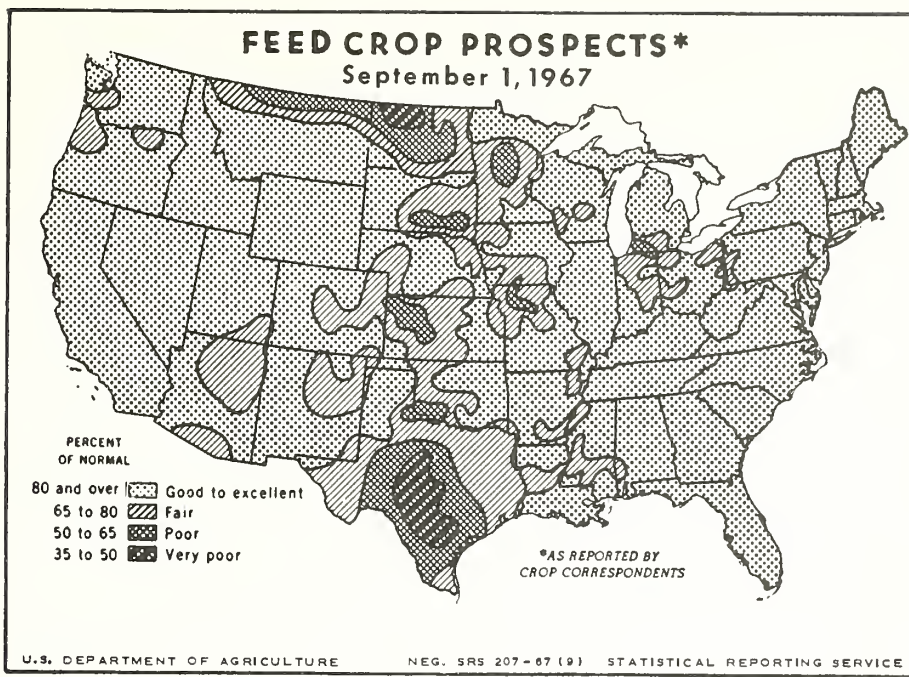


Figure 1

mid-1966. Financing provided by merchants and dealers apparently has continued to rise rapidly. While national credit needs have been strong much of the year, farmers' access to credit has been fairly well maintained. Increased numbers of prospective borrowers found it necessary to shop around among lenders to obtain loans. One reporter commented that in his opinion "farmers have been affected less by tight money than have other businessmen."

One mortgage lender commented on the abilities of farmers to use credit adequately. He said, "Payment record of our borrowers is rather amazing; even though loan amounts are two and sometimes three times as high as they were 10 years ago, they are being met promptly and we have fewer collection problems than we had then. We like to think this is principally due to the greater management abilities of today's farmer." Increased credit use has been one of the important means by which farmers have expanded their operations. Another important means has been the rental of land and other farm resources. In some important farming States, more than one-half of the farmland is rented.

With interest rates on new farm mortgage loans higher by one-half to one percentage point since early 1966, and rates on non-real-estate loans probably up by one-fourth percentage point, reporters indicated farmers had been appraising their investment needs more carefully. Correspondents said that some farmers had postponed longer-term investments for a time, expecting interest rates to decline. Rates had declined slightly in early 1967 but have firmed again since then. Many reporters said they did not expect rates would decline in 1968 and some anticipated rates would increase further. Farmers were reported as becoming accustomed to the higher rates.

FARM INCOME AND EXPENDITURES

Outlook for 1968 Income

Realized gross farm income next year will likely be record high, just above \$50 billion, and around a billion dollars higher than in 1967. But the increased production expenses in prospect for next year will about offset the rise in realized gross income. Accordingly, realized net farm income in 1968 probably will be maintained at the same level as in 1967--around \$14-3/4 billion. Cash receipts from farm marketings will likely be up slightly in 1968, due mainly to somewhat improved livestock prices and a larger volume of crop marketings. Direct Government payments next year are expected to rise, primarily because of provisions of the 1968 Feed Grain Program.

There will be fewer farms and farmers next year, continuing the long-term decline. Average net income per farm likely will be higher than in 1967, which was the second highest on record, but below the record level of 1966. Nonfarm income per capita received by farm people is expected to be higher next year with the economy operating at a high level. The per capita disposable income of farm people from all sources probably will be somewhat higher than this year.

1967 Income Situation

Realized gross farm income in 1967 will be slightly below the record \$49.7 billion reached in 1966. Expenses will continue to rise this year, and are expected to be around a billion dollars higher than a year earlier.

Realized net income in 1967 will probably be around \$14-3/4 billion. Realized net income per farm, although below last year's record high, will be the second highest on record.

The lower gross income in 1967 than in 1966 reflects an expected small decrease in cash receipts from farm marketings and a small decline in Government payments. The volume of farm marketings this year is expected to be up somewhat from last year, but this will be more than offset by a decrease in farm prices of around 5 percent.

Both livestock and livestock product prices and crop prices this year are lower than last year. Farmers are marketing an increased volume of livestock and livestock products, with noticeable increases in hogs, poultry, and eggs. Crop marketings are also up sharply in volume from last year due to record 1967 crops and a very large 1966/67 citrus crop.

Receipts from marketings of livestock and livestock products during January-September 1967 totaled about \$18.1 billion--down about 1 percent from the record receipts of a year earlier. Fed cattle prices for the period were down about 1 percent, while marketings were up about 3 percent. Hog prices for the first 9 months of this year averaged about 18 percent less, and marketings about 13 percent more, than for the same period of 1966. In mid-September, hog prices were about 14 percent below a year earlier but the volume of marketings for the month was only up about 4 percent. Cattle prices in September averaged 3 percent higher than a year ago, but marketings remained at about the same level as in 1966.

Receipts from marketings of milk were up substantially--almost \$300 million, or 7 percent above the first three quarters of 1966, mainly because of higher prices. However, milk prices in the remaining months of this year will likely be down slightly from a year earlier. Broiler marketings were up about 7 percent; prices were down sharply--about 14 percent. Egg prices for the first 9 months of this year were almost one-fifth lower than a year earlier; marketings were up about 7 percent.

Receipts from marketings of crops in the first three quarters were estimated at \$11.0 billion--about \$150 million less than in 1966 but well above the 1965 level. Receipts from corn and grain sorghum were estimated higher than last year, due mainly to a sharp increase in the volume of marketings. Feed crop prices in the latter part of this year will be substantially lower than a year earlier as bumper crops move to market. Wheat prices are also well below last year, but marketings from a record wheat crop maintained receipts. Producers participating in the 1967 Feed Grain and Wheat Programs are receiving supplemental payments; the feed grain payments are lower while the wheat payments are slightly above 1966 levels.

Receipts from farm marketings of cotton through September were estimated sharply lower than last year due to a large decline in both the volume marketed and in average prices received. However, cotton prices have strengthened in recent months, and were above year-earlier levels. The indicated cotton crop for 1967 is the smallest since 1921, and at 8.1 million bales is about 1.5 million bales less than last year. However, cotton producers participating in the 1967 Domestic Allotment Program are receiving supplemental income payments which will offset a good part of the loss due to lower support prices and reduced cotton acreage.

Government payments to farmers in 1967 are expected to be about \$3.1 billion, compared with \$3.3 billion in 1966. Smaller feed grain payments, only partly offset by increased cotton and wheat payments, account for the lower total.

Production expenses through the first three quarters were running at an annual rate of \$34.4 billion--up about \$1.3 billion from the rate in January-September 1966. The index of prices paid by farmers for production items, interest, taxes, and wage rates is up over 3 percent. Almost all production items with the exception of feeder livestock were higher in price. Farm real estate tax rates, wage rates, and mortgage interest per acre were up substantially as has been the case each year in recent years.

Income from nonfarm sources is expected to total about \$6.9 billion in 1967, about the same as in 1966. Respondents from across the country indicate that this income has a significant impact on how well many farm families live. Nonfarm income has also been important to farm families in maintaining or improving their financial and debt situations.

FARM REAL ESTATE

The projected estimate of total farm real estate value for March 1968 is \$191.5 billion about 5 percent above the March 1967 value. In the 4 previous years, values had increased by an average of more than 6 percent.

Despite tightening credit and higher interest rates, farm real estate values continued to increase steadily during the year ended March 1, 1967, bringing the U.S. total value to \$182 billion, 6 percent above a year earlier. Largest advances occurred in the Corn Belt and Lake States, where values rose 9 percent and 8 percent, respectively. Market sluggishness limited value advances in the Pacific region to 1 percent during this time period. The U.S. average value per acre in March 1967 reached \$167, with the average value per farm increasing to \$63,200.

Voluntary transfers of farm real estate in the year ended March 1, 1967, remained at the previous year's rate of 31.1 per 1,000 farms. However, the total rate for all types of transfers decreased from 46.4 per 1,000 farms in 1966 to 44.8. This decrease, plus the annual decline in total farm numbers, resulted in a 6-percent decline in total transfers to 129,000 in the year ended March 1, 1967. The total acreage transferred was about 26.5 million acres, or about 2-1/2 percent of all land in farms.

Basic indicators of supply and demand for farm real estate in the 6-month period ended in March 1967 were relatively unchanged from those a year earlier. However, reports indicated improvement in the availability of credit and loan limits compared with the situation 6 months previously.

Active farmers, particularly the larger operators, continue to be the major buyer group, representing nearly two-thirds of all buyers in the market. Larger, established farmers with greater anticipated incomes and larger equities have not experienced the financing limitations from lending institutions which have hindered other potential buyers. Demand for farm real estate in 1968 will likely continue to be generated primarily by larger-than-average farmers.

The tightness of commercial credit in the last half of 1966 and into 1967 encouraged greater amounts of seller financing during that period. Reporters in a March 1967 survey reported 41 percent of all credit sales to be financed by the seller, an increase of 6 percent over a similar period 1 year earlier (table 2). Nationally, over three-fourths of seller-financed sales were reported to be land contracts.

In instances where capital limitations prevent land purchases, land rental is often the only alternative for farmers wishing to expand their operations. Consequently, competition for rental land has been increasing with the rising land values. At the national level, gross cash rents for commercial tenant farms averaged \$9.55 per acre in 1966. Regional averages ranged from less than \$3 per acre in the Mountain region to over \$20 per acre in the Corn Belt and Appalachian regions (rental arrangements in the latter region are often for land with tobacco allotments). Wide ranges in gross cash rent occur within regions, as well, reflecting variations in production potential and competition for land. Demand for rental land will remain strong in 1968 with farmers in some areas, particularly in the Corn Belt, actively bidding up rental rates.

Table 2.--Credit-financed farm purchases: Percentage financed by specified lenders, by farm production regions, year ended Mar. 1, 1967 ^{1/}

Region	Seller	Commercial banks	Insurance companies	Federal land banks	Other lender ^{2/}	Total
	Percent	Percent	Percent	Percent	Percent	Percent
Northeast-----	26	49	2	11	12	100
Lake States-----	54	18	5	9	14	100
Corn Belt-----	39	23	18	11	9	100
Northern Plains-----	41	10	16	16	17	100
Appalachian-----	22	40	6	11	21	100
Southeast-----	39	20	7	12	22	100
Delta States-----	30	14	22	9	25	100
Southern Plains-----	37	16	18	10	19	100
Mountain-----	53	8	11	14	14	100
Pacific-----	68	4	7	9	12	100
48 States-----	41	20	13	11	15	100

^{1/} Data obtained from farm real estate reports, March 1967.

^{2/} Includes FHA and individuals other than the seller.

Residual returns to real estate (after allowances for return to other factors) are expected to average 4.4 percent in 1967, 0.2 percent above the 5-year average but down 0.7 percent from returns in 1966. The more important reasons for this decline from 1966 returns are rising real estate values and labor and management charges, occurring concurrently with a decline in net farm income. These factors also have affected returns to all owned capital. The preliminary estimate for 1967 is 4.0 percent, 0.9 percent below a year earlier. Projections for 1968 show a further decline in returns to farm real estate, due to a fairly stable net farm income and the prospect of further increases in market value of land and buildings.

Outlook for 1968 indicates moderate price advances and activity in the farm real estate market. The increases may be dampened by the continuation of high interest rates and a general cost-price squeeze in the farming sector. The consensus among lending agencies is that interest rates will remain at current levels with demand for agricultural credit increasing. Farmers, they believe, will accept the higher cost of credit along with higher prices of other production inputs. However, expansion in farm size, the primary motivating force in the current farm real estate market, is likely to be limited chiefly to larger, established farm operations.

FARM DEBT

The volume of farm mortgage loans made by life insurance companies and the Federal land banks fell sharply after mid-1966 and new lending continued relatively low during 1967. While total outstanding farm mortgage debt increased an estimated 7 percent in 1967, the rise is the slowest in several years (table 3). Throughout the period of reduced supplies of real estate credit, non-real-estate loans continued to be readily available, and farmers' use of non-real-estate credit continued to increase rapidly. Thus the total of all farm borrowings in the year, although somewhat changed in composition, has continued to rise strongly. The increase in outstanding farm debt is estimated to be only slightly below the rapid gains in 1965 and 1966. Delinquencies on loans continued low in 1967 and the overall condition of mortgage and nonmortgage debt remains strong.

Farm Mortgage Credit. Reporters indicated there has been an increase in some areas this year in the proportion of farm real estate sales that are financed by sellers of farms under land contracts and mortgages. Reporters also indicated some decline may have occurred in the number of farms sold in 1967.

Unlike many urban properties in which new values have just recently been created (such as construction of a house or an office building), a substantial part of the present value of a farm property may reflect the appreciation in land prices that has been occurring over a period of years. Frequently the owner has a large equity in the property and thus is able to provide financing to a prospective buyer. He may find it advantageous to do so because of tax considerations. In 1967 prospects of higher interest rates, as well as a shortage of loan funds from institutional sources, may have encouraged sellers to provide financing.

Life insurance companies curtailed their farm mortgage lending beginning in mid-1966, even though interest rates on farm mortgage loans were rising. The tightening credit markets throughout the Nation made

Table 3.--Farm debt outstanding Jan. 1, and annual increases, 1961-68 ^{1/}

Year	Debt outstanding Jan. 1			Increase in debt during year					
	Total	Real estate	Non-real estate	Dollar increase			Percentage increase		
				Total	Real estate	Non-real estate	Total	Real estate	Non-real estate
	<u>Billion dollars</u>			<u>Billion dollars</u>			<u>Percent</u> ^{2/}		
1961-----	24.8	12.8	12.0	2.0	1.1	0.9	8.2	8.4	7.9
1962-----	26.8	13.9	12.9	2.9	1.3	1.6	10.7	9.1	12.3
1963-----	29.7	15.2	14.5	3.3	1.6	1.7	11.2	10.8	11.7
1964-----	33.0	16.8	16.2	3.0	2.1	.9	9.2	12.4	5.6
1965-----	36.0	18.9	17.1	4.2	2.3	1.9	11.5	12.1	10.8
1966-----	40.2	21.2	19.0	4.3	2.1	2.2	10.9	10.0	11.4
1967-----	44.5	23.3	21.2	4.1	1.7	2.4	9.2	7.3	12.1
1968 <u>3/</u> --	48.6	25.0	23.6	---	---	---	---	---	---

^{1/} Excludes Commodity Credit Corporation loans.^{2/} Computed from unrounded data.^{3/} Preliminary estimate.

alternative investment opportunities more attractive to insurance companies. At the same time, new loans to policyholders required a larger part of their available funds. The dollar volume of new farm mortgage loans made by life insurance companies in the first half of 1967 was 40 percent below that in the first half of 1966.

Lending by Federal land banks was temporarily restrained during the last half of 1966 in cooperation with the Government program to limit inflationary pressures. In the first half of 1967, these restraints were not in effect. However, demand for farm mortgage loans has weakened. In the First half of 1967, new farm mortgage lending of the Federal land banks was down 18 percent from a year earlier. The smaller decline in farm mortgage loans of the Federal land banks than of the life insurance companies partly reflected the relatively lower rates charged on FLB loans.

Farm mortgage loans recorded in the first half of 1967 were off about one-fifth from the January-June volume of 1966. This was the first January-June decline since 1960. Recordings in the first half of 1967 were down most sharply in the Pacific region (fig. 2) where land values have not been as strong as in some other areas. The Appalachian and Southeast were the only regions where recording volume in 1967 was little changed from 1966.

Most lenders recorded a significantly smaller volume of farm mortgages in the first half of 1967, with recordings of life insurance companies down 46 percent and those of Federal land banks down 24 percent. Loans recorded by commercial banks and by individuals declined 15 percent. Loans made or insured by the Farmers Home Administration--which represented about 5 percent of total recordings in 1967--increased 24 percent.

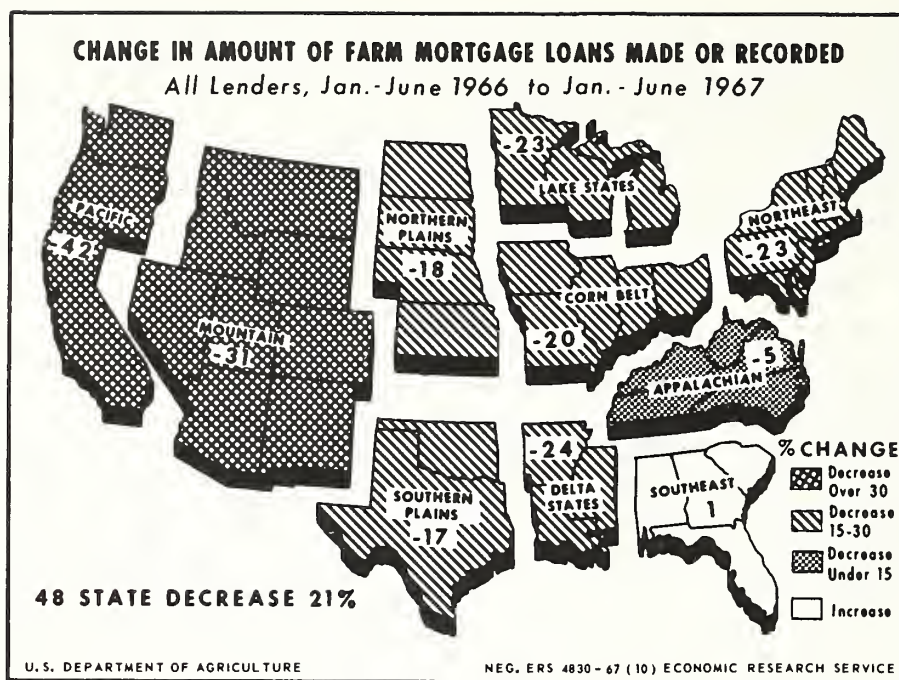


Figure 2

FHA farm mortgage recordings include rural housing loans as well as farm ownership loans to farmers unable to obtain adequate financing from other sources. Loans made by commercial banks, individuals, and FHA represented a greater portion of total farm mortgage loans in the first half of 1967 than a year earlier--43 percent compared with 38 percent. Individuals also finance farm real estate sales by land contracts as well as by farm mortgages. Some land contract sales are not recorded and are not included in the data on farm mortgage recordings. Reporters indicated land contract sales had increased in 1967.

Interest rates on farm mortgage loan commitments of life insurance companies reached 6.68 percent in the first quarter of 1967, and edged down to 6.60 percent in the second quarter. Rates had risen rather steadily from 5.8 percent in the last quarter of 1965. Rates charged by Federal land banks were raised about 1/2 percentage point in 1966 to 6.0 percent, the maximum allowed by present Federal law. With rates on Federal land bank bonds issued in October 1967 at 5-3/4 and 5-7/8 percent, the spread between the cost of new funds to the banks and the rates charged by the banks was unusually low.

While fewer new farm mortgage loans were being made in 1967, repayment rates on existing mortgages declined. Interest rates on these outstanding mortgages were often considerably lower than the rates being charged on new mortgages. When a borrower refinances an outstanding farm mortgage debt, he may be required to pay the new higher interest rate on the amount refinanced as well as on the new credit he obtains. Thus, in 1967 borrowers did not refinance their old loans or make advance payments on them as commonly as they had when interest rates on new borrowings were not increasing.

Reflecting the slowdown in new lending, and also the reduction in repayments, outstanding farm mortgage debt is forecast to increase \$1.7 billion or 7 percent in 1967. This debt will reach about \$25 billion by year's end. In 1966 mortgage debt rose by \$2.1 billion, or 10 percent.

Non-real-estate farm loans. Farmers' use of operating and other types of non-real-estate credit has continued to rise rapidly in 1967 even though their expenditures are increasing by a smaller amount than during the previous year. Total production expenses in 1967 are expected to exceed last year's by about \$1 billion, while expenses in 1966 had increased \$2.4 billion. Also, some farm capital outlays in 1967 were not much above the 1966 level.

Purchases of farm machinery and of autos and trucks in 1967 are expected to have risen about 3 percent above the 1966 level--compared with a 9-percent gain in 1966 over 1965. The number of cattle on feed on October 1, 1967, was slightly larger than a year earlier, but the feeder stock had been purchased at slightly lower prices. In 1966, credit use had been stimulated by both higher feeder cattle prices and greater numbers.

As shown in figure 3, non-real-estate farm loans held by reporting lenders increased 11 percent in the 12-month period ended June 30, 1967. Increases were largest in the Corn Belt and the Lake States.

The rapid increase in non-real-estate farm borrowing in 1967, despite the only modest rise in expenditures, probably reflected in part a greater proportion of financing of operating and investment expenditures by use of non-real-estate credit, and a smaller proportion by use

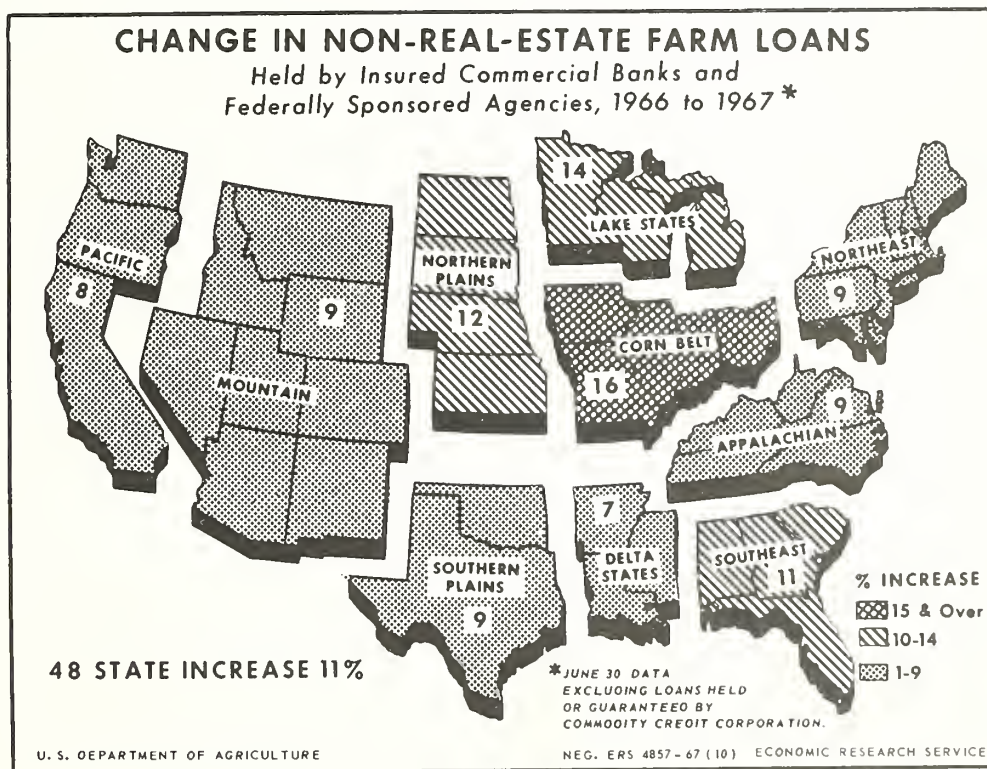


Figure 3

of real-estate-secured credit. Typically, a sizable part of farm real estate borrowings--perhaps one-quarter of the total--is used to finance nonland investments. This proportion probably declined in 1967 as farm mortgage loans became less available and farm mortgage interest rates rose more than short-term rates. An increased number of farmers apparently financed expenditures with short- and intermediate-term credit rather than seeking to refinance existing real estate mortgage loans or obtain new mortgage loans.

Interest rates on non-real-estate farm loans of some lenders were higher in 1967 than in the previous year. In July 1967, about two-thirds of the production credit associations were charging 7 percent or more on their loans; a year earlier, less than two-fifths of the associations were charging rates that high. Rates charged by commercial banks on non-real-estate loans were--according to some reports--about the same in mid-1967 as a year earlier, but 0.2 to 0.3 percentage point higher than 2 years earlier. These increases in rates on non-real-estate loans were much smaller than the increases of 1/2 to 1 percentage point on farm mortgage loans.

In 1968, interest rates on farm loans is likely to continue high. Credit demands of farmers are expected to be strong. As higher interest rates persist, farmers will become less inclined to delay long-term borrowing in expectation of lower rates, but are likely to continue to be reluctant to refinance long-term debt and to forego lower interest rates on their outstanding farm mortgage debt.

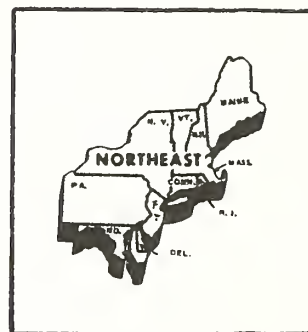
Availability of credit to agriculture will depend on economic developments throughout the economy as well as on farm demands for funds. If credit demands throughout the Nation increase relative to availability of funds, agricultural loan funds will become more scarce. However, farm credit supplies are likely to remain fairly adequate even though interest costs are higher than in recent years. Farmers will consider their needs more carefully, and will shop more carefully among lenders to obtain loans at the most favorable interest rates and terms available.

REGIONAL SITUATION AND OUTLOOK

Northeast

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	2,582	2,573	-0.4
Crops-----	844	825	-2.3
Livestock and livestock products-	1,738	1,748	.6
Market value of farm real estate, March 1-----	8,724	9,107	4.4
Farm real estate debt, Jan. 1-----	1,241	1,359	9.5
Farm mortgage recordings, Jan.-June	204	157	-22.8
Non-real-estate farm loans held by reporting lenders, July 1-----	679	741	9.0



In the Northeast, 1967 has been a year of virtually normal rainfall, replacing drought of several years' duration in some areas. To dairymen this usually meant an easing of hay and forage problems, but some were hampered at harvesttime by wet weather. New England and New York reported too much rain this year at haying time, resulting in a crop of poor quality. Feed crop prospects on September 1 and pasture feed conditions were good to excellent throughout the Northeast except small parts of Pennsylvania. Last year, only the northern part of the region had as good feed crop and pasture outlooks.

Total cash receipts from the marketing of crops and livestock through September 1967 grossed about the same as those a year earlier, but the net earnings this year may be slightly smaller because of increasing costs. Even with normal rainfall, cash crop marketings were 2.3 percent below last year.

Livestock and livestock products, which comprise two-thirds of the farm marketings, had 9-month cash receipts about like last year, but costs were higher. Even though dairy price prospects are slightly improved, net returns from dairying may not be greatly different from 1966. The income from poultry and eggs is down sharply. Egg and broiler production has been heavy, and prices depressed. In the Northeast in recent years, dairy products have made up about 36 percent, poultry and eggs 20 percent, and meat animals 9 percent of the cash receipts from farm marketings.

Receipts from marketings through August in Maine were 10 percent below 1966 levels. Crop receipts were off 20 percent, reflecting largely the reduced returns to those potato growers who sold their 1966 crop late in the marketing season at low prices. Livestock and livestock product receipts were smaller by 2 percent. Income to both egg producers and broiler growers was down substantially this year.

In New York, cash receipts from farm marketings through August were 4.5 percent above the first 8 months of 1966. Marketings of livestock and livestock products were up 4 percent, but crop receipts increased 6 percent. Crop acreage and yields were higher. Apple prices received by farmers in October were 17 percent above those a year earlier, with a slightly larger crop in prospect.

Farm income in Delaware, Maryland, and New Jersey was rather stable. In Pennsylvania, weather conditions have been more favorable for crop production than last year, but harvesting has been hampered in some areas by excessive moisture, in others by fewer workers.

Farmers in the Northeast were making large outlays on expansion and the improvement of machinery and facilities. Farms continued to increase in size and labor continued to become scarcer and more costly. Many farmers were enlarging their barns, building silos, buying farm machinery and equipment, and improving their facilities. Ordinarily, credit was available to farmers on qualifying loans during the year, and farmers have borrowed to buy more land and to enlarge and improve their farm plants for greater production, efficiency, and laborsaving, as well as to finance usual farm operating needs. There appears to have been a trend of some lenders away from making long-term loans. Some instances were reported in which borrowers substituted short-term and intermediate-term credit for long-term financing, including land purchase.

One reporter stated: "The New England farm credit situation remains steady. Demand for intermediate- and long-term credit to modernize and expand farm operations continues to place pressures on financial institutions. Most money suppliers--except life insurance companies--have been meeting qualified loan applicants' needs."

Farm real estate values in the Northeast increased 4.4 percent in the year ended March 1, 1967, compared with 4.2 percent a year earlier. The demand for farmland for farm enlargement is expected to continue in 1968. Farmland values will continue to rise, in part because of the conversion of land to nonfarm uses.

One reporter partly summarized the outlook for the Northeast as follows: "For 1968 I see a continuing trend toward increased competition for land, labor, and capital. Farm owners will have available alternatives--job and land disposal markets continue strong. For the better-than-average farm manager, income prospects appear very good. Current interest rates have not inhibited qualified borrowers to invest funds profitably. They . . . will, however, require improved prior budgeting and planning."

Assuming continued normal weather, gross returns from farm marketings probably will not be much higher, and increasing costs may result in slightly smaller net income. Farmers may be expected to continue to borrow competitively at interest rates and charges and on terms not greatly different from 1967. Prospective borrowers undoubtedly will weigh their loan needs more carefully and shop around more.

Lake States

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	2,932	3,041	3.7
Crops-----	709	771	8.9
Livestock and livestock products-	2,223	2,269	2.1
Market value of farm real estate, March 1-----	12,019	12,953	7.8
Farm real estate debt, Jan. 1-----	2,175	2,375	9.2
Farm mortgage recordings, Jan.-June	213	164	-23.2
Non-real-estate farm loans held by reporting lenders, July 1-----	1,123	1,285	14.4



Cash receipts from farm marketings in the Lake States for the first 9 months of 1967 were 4 percent above the 1966 level for the same period. The increase in crop receipts--9 percent--was due to higher 1967 grain prices received during the first half of the year from sale of crops harvested in 1966. Land values continued upward in the year ended March 1, 1967. Reporters noted continuing movement of farm families out of farming but a definite tendency for such families to obtain employment nearby and remain in the rural areas.

Lake State receipts from livestock and livestock products, which account for approximately 75 percent of total receipts, increased 2 percent. This increase was due primarily to higher milk prices. For the United States as a whole, prices farmers received for all milk during the first half of 1967 rose an average of 10 percent compared with the same period in 1966. However, anticipated lower milk prices for the balance of 1967 likely will result in an average for 1967 only 4 to 5 percent higher than for 1966.

The reporters noted that the dairy situation is similar to last year--fairly good for farmers who have been able to expand and install laborsaving facilities but poor for the small, nonmechanized dairy farmer. Shortage of labor continues to be a serious problem. The 1967 milk production for the region will be about the same as in 1966, but from fewer farms and fewer cows.

In Michigan, the gross income on livestock farms is expected to hold steady or perhaps increase for 1967. Feeder cattle and hogs account for roughly 12 percent of farm cash receipts. Producers of these types of livestock are experiencing another generally favorable year. Hog prices are lower than a year ago, but cattle prices are slightly higher. Some expansion is occurring in cattle feeding operations, but hog numbers continue to decline in Michigan.

Michigan fruit production this year is below average. Tart cherry prices were the highest on record, but Michigan producers had very few to sell. Apples are the largest income producer for Michigan fruit farmers, but production is down this year.

Reporters indicate that farm income in Minnesota will probably be about the same or slightly lower in 1967 compared to 1966. Income from crops, which account for about 30 percent of total farm income, will be down in 1967 compared to 1966, but income from livestock will be larger. For Wisconsin, except for receipts from potatoes and milk, income appears improved; however, the concensus is that increased expenses are offsetting this advantage.

Farm credit needs for Lake State farmers continue to increase, although requests for long-term real estate mortgages are down from 1966. Continued emphasis on automation, an increasing proportion of purchased inputs, and increasing prices for all inputs are the major factors. As a rule, successful farmers are not experiencing any serious problem in meeting their credit needs. According to reporters' comments, there seem to be two exceptions to this. One exception is young beginning farmers. Also, in northwest Wisconsin, large long-term loans are difficult to obtain from the usual sources; even well-established successful farmers are experiencing difficulty. As a result, the Farmers Home Administration is becoming a more important source of credit in this area.

The market values of farm real estate in the Lake States as of March 1967 were 7.8 percent higher than a year earlier, compared with an increase of 5.1 percent for the previous year. The main demand for farmland appeared to be for expansion of existing units.

The reporters noted the continuing movement of farm families out of farming. In Wisconsin more of these families appear to be remaining in the rural areas and finding employment in their own rural communities or in nearby towns. Michigan farmers also augment incomes with off-farm income to obtain a higher level of living. In Minnesota, reporters noted a continuing dispersal of industry and the establishment of manufacturing and processing plants in rural areas. A substantial portion of the work force is made up of members of farm families who have year-round or seasonal employment from these industrial plants.

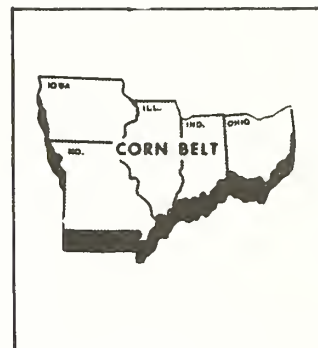
The 1968 farm cash receipts in the Lake States are expected to be about the same as for 1967; costs will increase. Livestock and dairy enterprises will be somewhat stronger; poultry enterprises somewhat weaker. The correspondents anticipate that farmers operating large farm units will continue to increase output, while the present tendency of the farmers operating small units to leave farming will continue.

Total farm debt for the Lake State area will increase in 1968, as remaining farmers buy out those leaving agriculture. Those remaining will continue to apply new technology requiring additional borrowed funds for new and larger equipment. The value of assets will also increase with the result that the farmers' equity/asset ratio will be about the same as in 1967.

Corn Belt

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	7,076	6,848	-3.2
Crops-----	2,362	2,297	-2.7
Livestock and livestock products--	4,714	4,550	-3.5
Market value of real estate, March 1-----	40,128	43,657	8.8
Farm real estate debt, Jan. 1-----	4,276	4,702	10.0
Farm mortgage recordings, Jan.-June	761	610	-19.9
Non-real-estate farm loans held by reporting lenders, July 1-----	2,664	3,078	15.5



Total cash receipts from farm marketings by Corn Belt farmers during the first 9 months of 1967 were 3 percent lower than in 1966. Crop receipts were down 3 percent and livestock receipts were down 4 percent. The 1967 total receipts and the receipts for each of the two groups--crops, and livestock and livestock products--were the highest for any year out of the last ten except for 1966. Although production was generally higher in 1967 than in 1966, the effects of lower prices received and increased total farm expenses are expected to result in a lower net farm income for the region. An increase of 9 percent in the market value of Corn Belt farm real estate as of March 1, 1967, increased significantly the total value of farm assets. Farmland transfers are reported to be fewer in number than in 1966.

Farm expenses continued to increase in 1967. With slightly lower receipts, Corn Belt farmers had less net income and consequently less savings during 1967 than in 1966--a year of record farm receipts. However, spending for new equipment was at a high level.

Farm receipts from crops varied more among the Corn Belt States than usual because of more varied weather. In general, the 1967 increase in crop yields in Illinois will more than offset lower grain prices. In Indiana, although major crop yields equaled or exceeded the 1966 yields, lower prices received will result in lower cash receipts. In Missouri, heavy spring rains substantially reduced crop yields. Southeast Missouri had the poorest prospective cotton crop in history. Crop yields in Iowa and Ohio were generally lower than in 1966 due to lack of rain during the growing season.

For the region as a whole, the indicated 1967 corn production is 13 percent above the 1966 production but as of October 15, the price received by farmers for the region was about 18 percent lower. The estimated corn yield for Illinois is 103 bushels per acre--23 bushels higher than the 1966 yield and 18 bushels higher than the 1961-65 average. The indicated total Illinois corn production is 36 percent above the 1966 production.

Soybean production for the Corn Belt is indicated only slightly higher than for 1966. Production this year for Ohio, Iowa, and Missouri is actually lower than last year. However, the October 15, 1967, soybean prices received by farmers for the region were about 12 percent below a year earlier, reflecting a record U.S. crop.

Reporters stated that capital outlays for farm machinery, particularly the type of machines and equipment necessary for more efficient production, were generally higher in 1967 than in 1966. They might have been even higher if farm prices and income in 1967 had equaled that of 1966. Purchases of farm machinery are expected to continue at or near the present level.

Feeder cattle purchases for the first half of 1967 were 12 percent lower than for 1966 as measured by shipments into Ohio, Indiana, Illinois, and Iowa. With higher feed prices in the first half of 1967 and lower prices for finished cattle, reporters say many Corn Belt cattle feeders have lost money. With the lower feed prices which developed during the summer of 1967, and with the expectation of strong fall fed cattle prices, total number of cattle and calves on feed in the Corn Belt increased as compared with 1966. As of October 1, 1967, the number on feed was 3.6 percent higher than on October 1, 1966.

Living expenses for Corn Belt farmers continued high in 1967. Families maintained the higher level of purchases of consumer durables established in earlier years.

The market value of farm real estate in the Corn Belt increased 8.8 percent during the year ended March 1, 1967. This increase was relatively large, but less than the 11.6 percent increase for the preceding year.

During 1967, land transfers are reported to have lessened compared with 1966. This was due to the tight money situation of 1966 and the reluctance of farmers to make new financial commitments for long-term capital investments. There appeared to be a continuing demand for land for enlargement of present acreage. However, reporters indicated some slowdown in buying for farm expansion. In certain areas of the Corn Belt, purchases of farmland by nonfarm buyers for urban development have been a significant factor in prices paid for the land.

Correspondents reported that, in most areas of the Corn Belt, higher interest rates have not seemed to affect the amount of farm credit used by farmers. Farmers have been able to secure credit for purchased inputs such as fertilizers, herbicides, and insecticides.

The reporters generally expect requests for loan renewals and extensions for short-term credit will be higher because of higher operating costs and lower gross receipts. They also indicated that smaller farm operators and young farmers are finding it more difficult to borrow, particularly on long repayment terms.

The correspondents generally anticipate that the demand for credit, both short- and long-term, will increase during the coming year. This will be due largely to higher operating costs, higher machinery prices, increased use of fertilizers and other purchased inputs, and higher farm real estate prices. Farmers will continue to accelerate their level of spending in an effort to keep pace with the trend toward a more sophisticated type of farm operation involving improved technology and a higher degree of automation and mechanization.

Even with the prospect of lower net farm income for 1967 and the continued increase in farm costs, the net worth of corn Belt farmers is expected to increase in 1968. However, with the anticipated increase in the farm debt, farmers' equity asset ratios will decline.

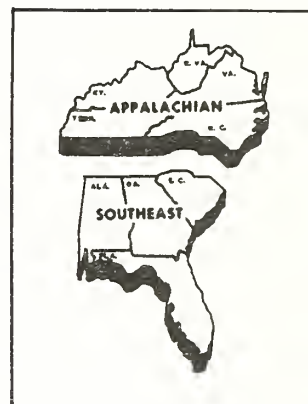
Although the Corn Belt demand for loan funds in 1968 will increase over the 1967 level, the availability of loan funds is not expected to be a major problem. Lender policies are not expected to change significantly. While increased demand for farm credit, together with overall credit demands, may result in some upward pressure on farm interest rates, the reporters believe that this will not be a restrictive force as anticipated efficiencies lower the real cost of borrowing. The continuing narrowing of the margin of profit makes it necessary to operate more efficiently. This has been accomplished in part by replacing labor with capital.

In general, the reporters are pessimistic in regard to farm prices and incomes in 1968. Low prices for 1967 grain and increasing costs have resulted in an increased number of farmers restudying expansion programs.

Appalachian and Southeast

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	4,233	4,277	1.0
Crops-----	1,935	2,046	5.7
Livestock and livestock products--	2,298	2,231	-2.9
Market value of farm real estate, March 1-----	23,535	24,643	4.7
Farm real estate debt, Jan. 1-----	2,881	3,177	10.3
Farm mortgage recordings, Jan.-June	560	545	-2.7
Non-real-estate farm loans held by reporting lenders, July 1-----	1,531	1,683	9.9



The financial condition of farmers in the Appalachian and Southeast regions is moderately strong. The financial well-being of farmers in the regions seems to vary more than usual according to the type of farming and size of the farming operation. The cotton, citrus and vegetable situations were unfavorable while corn, soybeans, and livestock improved. Cash receipts from tobacco are up slightly from 1966. The larger commercial operations seem to be faring better financially than many of the smaller farms.

Cash receipts from sales of crops in the first 9 months of 1967 are up slightly from the same period in 1966. Unfavorable weather caused poor stands of cotton and resulted in large acreages being abandoned and planted to other crops. Harvested acreage of cotton in the regions is more than one-fourth below 1966. With yields per acre averaging about 360

pounds of lint compared to 400 pounds in 1966, production is over one-third less than in 1966.

Much of the abandoned cotton acreage was planted in soybeans. This raised the acreage of soybeans above the already record-high planned acreage. Favorable weather since July helped produce a soybean crop estimated at 126 million bushels for the region--about 38 percent larger than in 1966. The price was lower than a year earlier but was more than offset by the increase in production.

Tobacco is the most important cash crop in the area. Production of flue-cured tobacco was up about 15 percent from 1966, resulting from slightly increased acreage and about 10 percent better yield. Production of other types of tobacco was down slightly. Prices of tobacco were down a little from 1966 averages, but were more than offset by the increase in production so that cash receipts from tobacco in 1967 have been larger than in 1966.

Although corn is not an important cash crop in the Appalachian and Southeast regions, it is an important feed grain, especially for hogs. Corn production in the area was over one-third more in 1967 than the average of the last 6 years. Acreage was up somewhat, but more important, favorable weather and better farming practices resulted in a 36-percent increase in yield per acre over 1966.

Florida citrus growers experienced a bumper 1966/67 crop, but prices--and for some growers, cash receipts--were lower than in recent years. Vegetable production in the Southeast was about the same as in 1966 but increases in production and harvesting costs resulted in lower net incomes for many growers.

Peach production was cut by late freezes. The area as a whole suffered a reduction of 32 percent from 1966, with production in North Carolina and South Carolina down by about half. Prices were somewhat higher, but not enough to overcome the loss of production.

Livestock production continued strong over the area. However, cash receipts for livestock and livestock products were down from 1966 due mainly to lower hog prices during the first part of the year. Poultry is gaining in importance in many parts of the area and make up a substantial portion of total cash receipts from sale of livestock and livestock products. Cash receipts for milk were up due to slightly higher production and moderately higher prices.

Government payments will total slightly more than in 1966. There was less participation in the feed grain programs but this was offset by the greater participation in the cotton program.

Reporters from every State in the Appalachian and Southeast regions commented that income of farmers and others in their households from off-farm employment was steadily increasing. Such income results in a higher level of living and often allows operation of the smaller farms to continue. Much of the off-farm employment is furnished by industrial plants of various kinds and sizes being located in rural areas. This continuing industrialization with its accompanying job opportunities and increased economic activity is considered an important factor in the well-being of families and businesses in the rural areas.

Cost of farming continues to increase. The use of purchased inputs such as fertilizer, chemicals, and machinery continues to expand. Expenditures for machinery and equipment in parts of the regions are reported to be increasing probably faster than in some other parts of the Nation. As one reporter analyzed the situation,

"In the South, historically, agricultural production has been more labor intensive than in other regions of the United States. With the decline in the labor supply, wage rates have advanced, causing the drive for mechanization to become more intensive. Thus, in a period of more sharply advancing prices for capital equipment and higher interest rates, the impact on southern farmers will be greater than on other farm operators in the Nation."

The debt position of farmers in the regions, although higher than a year ago, is thought to be good. The number of delinquencies and unplanned renewals are low. Credit from the usual sources was adequate--especially for operating purposes. There were reports that farm mortgage lenders were more selective as to purpose of loans than in some other years. Interest rates on farm loans averaged somewhat higher than for the 1966 farm year in certain localities, but overall, the change was slight.

Commercial farmers in the Appalachian and Southeast regions will enter 1968 in a slightly improved financial condition. Gross farm income is expected to increase but costs will also increase. Cotton production is expected to increase substantially. With the indicated smaller crop, the Florida citrus situation is expected to improve. Producers of soybeans, corn, and other crops will continue to benefit from improved technology. Cash receipts from livestock and livestock products are likely to increase.

Lenders expect the demand for both operating and farm mortgage credit to continue strong. Credit is expected to be adequate and at interest rates little changed from those in 1967.

Delta States

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	1,203	1,185	-1.5
Crops-----	419	417	-.1
Livestock and livestock products--	784	768	-2.1
Market value of farm real estate, March 1-----	9,163	9,806	7.0
Farm real estate debt, Jan. 1-----	1,110	1,270	14.0
Farm mortgage recordings, Jan.-June	278	213	-23.5
Non-real-estate farm loans held by reporting lenders, July 1-----	665	709	6.6



The financial condition of Delta commercial farmers in 1967 has not improved much from 1966. Except for certain localities, crop and livestock production are about the same as in 1966, with slightly lower gross cash farm receipts. As in other parts of the Nation, Delta farmers' costs have increased during 1967. Expenditures for purchased inputs increased over 1966. With little or no improvement in gross farm cash receipts, the higher costs will likely result in less net farm income than in 1966.

Production of cotton--the most important crop for the area as a whole--is expected to be down about 10 percent from 1966. However, because of the unusually low national cotton production, the price received by Delta farmers for 1967 cotton may be up enough to help offset the smaller harvest.

Plantings of soybeans in the Delta increased almost 20 percent from 1966, with production expected to be up by about the same percentage. Although the price is lower than a year earlier, cash receipts from sale of soybeans should be approximately the same as in 1966.

Rice, an important cash crop in Louisiana and Arkansas, was planted on about the same acreage as in 1966. Slightly higher yields resulted in production about 5 percent larger than in 1966. Cash receipts from rice are expected to be slightly higher than a year earlier.

Cash receipts from livestock and livestock products will likely be slightly lower than in 1966. Beef cattle prices averaged a little above a year earlier while hog prices were lower. Milk cow numbers continue their slow decline but total milk production remained about the same with slightly higher fluid milk prices in some sections. Poultry and turkey production increased but lower prices will offset the production gains.

The income of many farm families continued to be sustained by off-farm employment in local industries and business firms.

Production costs for Delta farmers increased during the year. The increase was greater than usual, due primarily to extensive replanting of cotton and soybeans because of cold wet weather plus more expense for chemicals used in combating above-normal insect infestations and diseases. Purchases of more and larger machinery and equipment added to the farm expenses.

Many reporters indicated spending for family living was continuing an upward trend. Farm families are paying more for things they use and also upgrading the quality of the items bought for use in the homes.

Demands for farm credit in the Delta increased over 1966. Farm loans for operating purposes and for purchases of machinery and equipment increased in line with increases in costs.

The farm labor supply continued to decline due to the migration of laborers from farms. This, coupled with the minimum wage law, resulted in higher wages for the farm labor remaining. The labor shortage and higher wages caused many commercial farm operators to continue to increase their investment in machinery.

Farm mortgage loans increased over 1966, mainly for purchases of land for farm enlargement. The tight money situation of 1966--which affected farm mortgage lending more than operating loans--eased in 1967. However, there has not been as much long-term lending in 1967 as in some earlier years.

Interest rates on farm loans in the region were higher in the first half of 1967 than in the first half of 1966. Rates rose rapidly during the last 6 months of 1966, leveling off by the end of the year. Interest rates on farm loans in the last half of 1967 are only slightly different from those charged in late 1966. The main difference in the 2 years was that long-term credit was more available in 1967, even though at a somewhat higher rate of interest, than in the last half of 1966.

The total of purchased farm inputs will probably continue to rise in 1968. The trends toward use of more fertilizer and better seed, better foundation livestock, and more laborsaving chemicals and machinery, plus higher wages, are expected to continue. Farmers will use additional credit for many of these expenses. Demands for credit in 1968 will continue strong.

Interest rates will likely continue relatively high for all types of credit. Commercial farmers will in many instances use the credit necessary, even at the higher cost, in order to attain the efficiency they seek through better management of resources and advanced technology. As one reporter stated, "If an investment planned by a farmer appears genuinely unattractive to him because of an increase of a fraction of one percent in the cost of capital, it is debatable whether he should make the investment at all."

Credit to farmers for worthwhile purposes is expected to be available from the usual lenders in 1968. Reporters commented consistently, however, that lenders are becoming increasingly aware of the value of good management on farms, and will weigh this factor more heavily when considering loan applications.

Southern Plains

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	2,524	2,299	-8.9
Crops-----	1,050	834	-20.6
Livestock and livestock products--	1,475	1,465	-.7
Market value of farm real estate, March 1-----	21,414	22,427	4.5
Farm real estate debt, Jan. 1-----	2,071	2,232	7.8
Farm mortgage recordings, Jan.-June	329	271	-17.3
Non-real-estate farm loans held by reporting lenders, July 1-----	1,307	1,431	9.5



The overall financial position of the Southern Plains farmer has remained about the same in 1967 as it was in 1966. Texas farmers are expected to fare somewhat better in 1967. In Oklahoma, net farm income will probably remain roughly the same even though crop income will be lower. Livestock income has been more important than usual in maintaining farmers' financial positions.

Cash receipts from the sale of crops for the first 9 months of 1967, accounting for 36 percent of total farm marketings, were down 21 percent from last year. Respondents estimate that production of crops in Texas will be 5 percent less than in 1966. Prolonged drought in western Oklahoma reduced small grain production sharply. Drought throughout the region prevented an early growth of native pastures and caused late seedings of sorghum and feed crops.

Wheat yields per acre were about 4 bushels lower than last year in Oklahoma and 7 bushels lower in Texas. Production for the region was down 18 percent from 1966 and 11 percent from the 1961-65 average. Wheat prices in the region were down \$0.39 per bushel on September 15, 1967, from a year earlier.

Cotton, an important crop to the region, was 9 percent below last year's regional yield per acre and 14 percent lower in total production. This was a 64-percent reduction from the 1961-65 production average, due primarily to reduced acreages. The average price received by farmers for cotton lint during September 1967 was up about 4 percent from a year earlier.

Sorghum production prospects are bright. Midsummer moisture, coupled with increased acreages, will help regional income. Prices appear to be down slightly.

Rice production in the region is up 17 percent from 1966 on virtually the same acreage and is up 31 percent from the 1961-65 averages. The price farmers in the region received for rice on October 15, 1967, was down 4 percent from last year.

Soybean production in 1967 was double the 1966 output due primarily to increased acreages. The October 1967 price was down sharply from the high levels of a year earlier and was more in line with 1961-65 averages.

Hurricane "Beulah" dimmed prospects for a good citrus crop in Texas and a multimillion dollar loss is possible.

Cattle and calves on feed for slaughter market on October 1, 1967, were up 20 percent in the region from a year earlier. Cattle numbers on feed were up 27 percent in Texas and up 15 percent in Oklahoma. Cash receipts from the sale of livestock and livestock products for the first 9 months of 1967 were down less than 1 percent from last year's decade high.

More farmers and family members are working off the farm. These earnings are helping to maintain and improve the financial position of farmers who might otherwise be in difficulty.

Correspondents in the region report that adequate amounts of production credit are available. Even though interest rates continue at their higher levels, the use of credit has not been dampened. Farmers are meeting their financial obligations satisfactorily.

The cost/price margin is continuing to narrow. Production costs increased in the region in 1967 and are expected to increase in 1968. The increasing wage scale is narrowing farmers' margins. A Texas reporter indicates that some large farm operators are finding it necessary to reduce the size of their operations as a result.

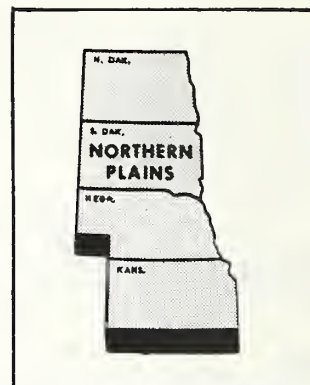
Farm improvement and expansion through investment in land, buildings, foundation livestock, machinery, and other production facilities has not changed greatly from a year ago. The increases in irrigational facilities in the panhandle of Oklahoma continues at a rapid rate. Farmers continue to be the major buyers of farmland for expansion in an effort to achieve economies of size. There has been no noticeable curtailment of purchases of needed capital or production items, though there has been a reduction in funds available from some lender sources within the last year.

The outlook for 1968 is similar to the 1967 situation. There will probably be sufficient credit available next year for farm and ranch operations, but at a higher cost. Both gross farm income and costs are expected to be higher than for 1967, with some improvement in the general debt and financial position of most farmers and possibly ranchers. The demand for credit will be strong, despite higher interest rates, with levels of spending taking a similar pattern. Purchase of items postponed in 1967 will also be resumed, at least on commercial farms.

Northern Plains

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	3,374	3,398	0.7
Crops-----	1,095	1,134	3.5
Livestock and livestock products--	2,279	2,264	-.6
Market value of farm real estate, March 1-----	18,588	19,910	6.6
Farm real estate debt, Jan. 1-----	1,827	2,018	10.4
Farm mortgage recordings, Jan.-June	253	207	-18.0
Non-real-estate farm loans held by reporting lenders, July 1-----	1,827	2,051	12.2



The overall financial condition of farmers in the Northern Plains States has improved from last year. Cash receipts from farm marketings for the first 9 months of 1967 were up less than 1 percent from last year but were the highest recorded in the last decade. Portions of Nebraska and Kansas were in a moderately weaker financial position due to unfavorable weather.

Cash receipts from the sale of crops accounted for one-third of the total cash receipts of the region in 1967. During the first 9 months, receipts from crops increased 4 percent from the same period in 1966 despite adverse weather in portions of the region. Drought and hail in northwest North Dakota caused as much as a 50-percent reduction from normal crop yields. Corn and milo plantings in portions of Nebraska were late due to spring floods and poor planting conditions. Portions of Kansas had late frost and drought which, along with wet field conditions at harvesttime, caused the 1967 wheat harvest to be the latest in recent years and resulted in the lowest yields per acre for the State in the last decade. Irrigated crops in parts of Nebraska were damaged twice by hail. Nebraska wheat yields were also reduced materially by dry weather and severe hail.

Wheat is the primary crop in the region. Production was up 13 percent from 1966 for the region and up 21 percent from the 1961-65 average. North and South Dakota had good yields; Nebraska wheat yields per acre were down 37 percent from last year. Kansas wheat yields were down 18 percent compared with 1961-65 averages. Kansas total production, however, was up 13 percent from 1966 production due to increased acreages. Regional wheat prices have dropped 23 percent below those of September 15, 1966, and are more in line with 1964-65 average wheat prices.

The 1967 regional corn crop is down 6 percent from last year's production but up 6 percent from the 1961-65 average. Prices were down 13 percent on October 15, 1967, from a year earlier. Sorghum production is expected to be down 4 percent from 1966 levels, with yield down 20 percent per acre. Sorghum prices are slightly below those received last year.

Cash receipts from the sale of livestock and livestock products for the first 9 months of 1967 are roughly equal to last year's high returns. The number of cattle and calves on feed in the region on October 1, 1967, was about the same as 1966. Cattle on feed were down 3 percent from last year in South Dakota and Kansas, while up 4 percent in Nebraska. Fed cattle numbers in North Dakota on October 1, 1967, were down 18 percent from 1966. With regional fed cattle prices averaging approximately \$1.00 per cwt. higher than last year, regional prospects appear good.

Off-farm income continues to play an important role in strengthening the financial position of farm families. More farmers are expected to seek off-farm employment in 1968. Reporters indicated farmers were spending a larger proportion of their income for family living. The level of living has generally continued to increase throughout most of the region.

Increasing production costs throughout the region are emphasized by reporters. Prices of purchased inputs appear to have increased 4 percent over last year. Expenditures for building improvements, land purchases, and foundation livestock increased in 1967 but not as much as in 1966. Some reporters felt that land prices will continue to increase, but at a slower rate than experienced in 1966. Most farmland being sold is for expanding present operations; there were few nonfarm investors. With the cost-price squeeze continuing, farmers are consolidating units in an effort to improve efficiency and reduce costs.

Farm machinery and equipment purchases have been up in the past year. There is some evidence of slackened sales in areas where low prices or unusually bad weather have resulted in depressed farm incomes. Most capital outlays have been for laborsaving items.

The demand for credit was strong in 1967. Money was available for most production purposes but there were some postponements of projects requiring substantial outlays. Lenders in the region were reported to be looking more to the production and repayment potential of the farm rather than loaning strictly on the basis of security or net worth. Loan payments and delinquency rates remain about the same except for areas receiving crop damage.

In most of the region there will be less cash carryover into 1968 than usual; the demand for credit will remain strong. The general upward trend in interest rates will probably continue. Higher rates will not be a major deterrent to using credit for capital expansion.

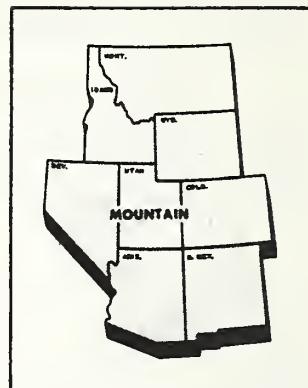
Gross farm income is expected to be high in 1968, but net income will show little improvement if costs continue to rise. If farm commodity prices should improve, net income could be about the same or slightly higher in 1968. Debt is expected to continue to increase but may be offset by increases in the value of assets.

The availability of credit for the coming year is likely to be about the same as in 1967 but reporters link this with the managerial ability of the farmer. The more efficient farmer will be able to get the credit needed while the poor manager will be watched more closely.

Mountain

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	1,979	1,962	-.9
Crops-----	682	665	-2.4
Livestock and livestock products--	1,298	1,297	-.1
Market value of farm real estate, March 1-----	14,597	15,223	4.1
Farm real estate debt, Jan. 1-----	2,048	2,282	11.5
Farm mortgage recordings, Jan.-June	319	219	-31.5
Non-real-estate farm loans held by reporting lenders, July 1-----	1,423	1,544	8.5



The overall financial position of farmers in the Mountain Region improved during 1967. Only Colorado and Arizona farmers are reported to be in a weaker position. Farmers in portions of the other States have experienced some difficulties, due to adverse weather. Total cash receipts for the first 9 months are little changed from the decade record level of 1966.

For the first 9 months, cash receipts from the sale of crops, which accounted for only 34 percent of total sales, were down 2.4 percent from the same period last year. Cash receipts from livestock, accounting for 66 percent of total sales for the region, continued to stabilize income.

Increased rainfall throughout most of the region provided for good crop and grazing prospects. Nevada had an abnormally good crop year and ranges in general are in excellent condition. Rainfall has improved range conditions in most of New Mexico and crop yields are generally up. Floods in portions of Arizona have reduced production somewhat. Northeastern Colorado experienced severe hail and excessive moisture with a cold spring and summer. Portions of southeastern Colorado suffered a complete wheat crop loss due to drought, worms, and late frost. On the whole, Colorado wheat and beet crops are down, while hay, sorghum, and corn crops are all up. Montana had an average to above average cash grain and feed grain crop even though the northeast portion of the State suffered a drought. Feed production appears good in Wyoming.

Wheat production is up 18 percent from 1966 for the region. Idaho and Montana production increased 33 and 20 percent, respectively. The increase resulted from both higher yields and increased acreages in Idaho and increased acreages in Montana. Wheat prices are down sharply from last year, however.

The region's grain sorghum production is up 19 percent from last year. This was primarily due to favorable soil-moisture conditions. The added production, with only a slight decline in price, will also help to boost regional income.

Corn production in the Mountain Region is up 19 percent, even though yields have remained the same as 1966. Prices were down 13 percent on October 15, 1967, from a year earlier.

Cash receipts from the sale of livestock for the first 9 months have not changed from last year. The number of cattle on feed in the region were up 5 percent on October 1, 1967, from a year earlier. Cattle numbers on feed were up in Colorado, New Mexico, and Idaho, but down in Montana, Utah, and Nevada. Wyoming fed cattle numbers remained unchanged from October 1, 1966. Fed cattle prices in the region on September 15, 1967, were up 2 percent from the same time last year.

Off-farm employment is an important source of income in the region and enables many ranchers to continue farming. Increasing industrial wage rates continue to offer competition to farmers for available labor supplies.

The overall income and expense situation places operators in a less favorable position than a year ago. Increased expenses due to freight, taxes, labor, and other production costs have resulted in greater unit costs.

Interest rates are higher than a year ago but appear to have stabilized somewhat. Credit demands of farmers continue strong. A larger portion of farm production expenses is being financed with credit. One respondent indicates that farm credit use was 8 to 10 percent greater in 1967 than in 1966.

Reporters state that farmers who use credit efficiently are able to obtain credit even in periods of tight money. The less efficient farmer has had to postpone some investments requiring substantial capital. Emphasis has been on tailoring credit to needs and on determining the individual borrower's managerial ability.

Operating costs will continue to rise in 1968. Moisture conditions generally are more favorable than at this time in 1966 and therefore the 1968 wheat crop should get started well. Both gross and net farm income from livestock enterprises should be more favorable in 1968 than in 1967. Low grain prices will probably deter any improvement in net farm income.

The demand for credit in 1968 is expected to increase at a rate comparable with recent years. Levels of spending for capital expansion will be greater than in 1967. The availability of credit should generally be adequate when all lenders are considered. Reporters expect no significant change in interest rates. Farmers are becoming accustomed to the higher interest rates and have been more concerned in the past year with the availability of funds than the cost. If a good manager is convinced that investment in a capital item will increase efficiency enough, he will make the purchase regardless of whether the interest rate is a half percent or so higher.

Pacific

Regional Highlights

	<u>1966</u>	<u>1967</u>	<u>Change</u>
	(Million dollars)		(Percent)
Cash receipts from farm marketings, Jan.-Sept., total-----	3,541	3,510	-0.9
Crops-----	2,059	2,009	-2.4
Livestock and livestock products-	1,482	1,501	1.3
Market value of farm real estate, March 1-----	24,030	24,272	1.0
Farm real estate debt, Jan. 1-----	3,540	3,867	9.2
Farm mortgage recordings, Jan.-June	400	233	-41.8
Non-real-estate farm loans held by reporting lenders, July 1-----	1,376	1,484	7.8



Gross farm income in the Pacific region is down slightly from last year. Farm returns for Oregon and Washington are about the same as for 1966, but California returns are lower for 1967 primarily as the result of unfavorable weather. Most regional producers of deciduous fruits and nuts will probably receive lower cash farm income, but returns from some fruits for processing should be higher. Because of larger U.S. egg production, for all three States, egg prices for the rest of the year are expected to be below last year. Cash receipts should be higher for Washington wheat producers and for California dairy producers. Farm returns for California cotton will probably be lower.

Walnut production in California and Oregon is forecast at 77,000 tons, 20 percent less than last year and 4 percent below the 1961-65 average. Production of filberts in Oregon and Washington is expected to total 9,400 tons, 23 percent less than last year but 11 percent above the 1961-65 average. California's Bartlett pear crop, at 104,000 tons, is 69 percent below 1966 and the smallest in over 40 years. Early fall rains were a mixed blessing for drought areas in Oregon where strong winds resulted in some damage to a promising apple crop. In Washington, there is still some uncertainty about the apple crop, as September hot weather kept fruit size below expectations. Egg production in Washington and Oregon is up 6 percent from last year for the first 9 months of 1967. In California, which has ranked first in the Nation in nonbroiler chickens raised since 1965, egg production was up 12 percent for the first 9 months.

Washington wheat production for 1967 is about 39 percent above 1966 and 69 percent above the 1961-65 average. California pasture conditions on October 1 were the best for the date since 1935. Of the 10 leading milk-producing States, the number of milk cows declined in all except California where cow numbers rose 1 percent from June 1966 to June 1967. California milk production per cow in September was 920 pounds, 240 pounds above the Nation's average. Extremely hot weather in California during August and through most of September stimulated cotton plant growth, but caused heavy shedding of early bolls and increased insect

infestations. Lint yield per harvested acre for 1967 is expected to be 956 pounds, which is about the same as the 1966 harvest but 13 percent below the average for 1961-65.

Some of the California operators with high labor requirements, such as fruit and vegetable operators, have been hit by increased production costs and higher wages, and a scarcity of experienced workers. A shortage of labor has slowed harvesting of tomatoes in some parts of California despite the increased use of mechanical harvesters. The grape industry continues in a distress situation due to a late season, low prices, and labor problems.

Off-farm earnings for the region have increased, particularly in farming areas near large population centers. Early fall rains boosted nonfarm income in parts of Oregon and Washington where activity in lumbering and sawmills had been curtailed because of an extremely dry summer.

As a consequence of reduced net income, cash savings and reserves of farmers will not increase and possibly may show a small decline. The continuing cost/price squeeze is making it difficult for many operators to save. Respondents indicated that spending for family living continues relatively high, and at times takes precedence over capital investment. Several lenders, however, feel that farmers are now resigned to fairly high interest rates. For some farmers, the possibility of higher costs of future purchases seem to outweigh high interest rates in influencing them to invest now rather than later. High interest rates apparently have not slowed the demand for short-term credit but seem to have dampened demand for long-term credit.

Rising farmland values in the last several years have provided a base for expanding farm credit use. In California, particularly, the demand for land for urban housing helped boost farmland values. The more recent depressed level of residential construction activity in the States has, nevertheless, contributed to an easing of farmland values.

Repayment of loans is down slightly from last year; probably the decrease in net income is a principal factor. Delinquencies are few.

The 1968 outlook for income in the Pacific region is for the same or a slightly lower level than in 1967. There is little indication of a reversing of the continuing rise in production costs.

Lender expectations for credit demand in 1968 are as strong as or stronger than in 1967. Those farmers who earlier postponed capital expenditures will probably follow others in accepting high interest rates. The supply of funds of farm lenders should be adequate. However, lenders may become more selective as to whom they will lend.

Alaska

The outlook for Alaskan agriculture, with fewer than 400 farms, was promising in 1967 for the more efficient operator. There was a slight increase in purchases of farm machinery and equipment. Financial savings and spending for family living were reported as remaining at last year's level.

At the time this report was prepared, crop and livestock data were not available for Alaska for 1967. Cash receipts from sheep, chickens,

and beef cattle in 1966 were higher than in 1965, but returns from hogs and dairy products were down. Egg production in Alaska reached a new record high in 1966--12 percent over the 1965 record of 9,200,000 eggs. The Alaskan wool clip during 1966 totaled 215,000 pounds, 3 percent more than a year earlier. Dairy cattle numbers continued to decline and, at 2,900 head on January 1, 1967, were 34 percent below the peak of 4,400 head reached on January 1, 1962. Alaska milk production during 1966 totaled 19,000,000 pounds. This is down 8 percent from 1965 and 17 percent below the record of 23,000,000 pounds in 1962. There was about a 10-percent decline in the number of dairy farms during 1966.

Most FHA borrowers reduced their farming operations in 1967 because of stateside competition. Higher production costs and a shorter growing season than stateside are serious handicaps for Alaska farmers. According to the Statistical Reporting Service, there was a 16-percent decrease in the number of operating farms during the period 1964-67.

The Federal land bank reported a slight increase in demand for credit and better loan repayment experience during the last 2 years. Higher interest rates did not appear to curtail capital investment. There was a slight decrease, however, in outstanding loans reported by the Farmers Home Administration.

Respondents anticipated higher interest rates in 1968. However, postponement of capital investments is not expected because of tight money or higher interest rates.

Hawaii

Reports from Hawaii indicate that there has been a slight increase in gross farm income, but higher costs are expected to offset the gain. Hawaii's sales of agricultural products were \$191 million in 1966 compared with \$180 million in 1965. Of 1966 agricultural income, sugar accounted for 54 percent; pineapples, 20 percent; livestock and livestock products, 20 percent; and all other crops, 6 percent.

For the first 9 months of 1967, egg production, which amounted to 95 percent of the market supplies in 1966, was greater than for the corresponding period in 1966. Vegetable and melon crops, 50 percent of 1966 market supply, were smaller for the first 7 months of 1967 because of extremely variable weather. Prices received for fruits and vegetables are mostly the same or higher than last year; but coffee prices are lower.

The tight credit situation of the past year resulted in some curtailment of farm loans. Some reporters indicated that lenders restricted funds to farmers for operating purposes. Some creditors helped only their established customers. Since early 1967, lending restrictions have eased, but it is felt that farmers have continued to be conservative and to postpone borrowing. Delinquencies are few and there appears to be no concentration of repayment difficulties in any area or type of farming. Some families are reported to be leaving the farms to work in the booming tourist business.

The financial position of farmers in 1968 is expected to be the same or moderately stronger than this year. Farmers who had cut back investments in anticipation of a decline in interest rates will probably go ahead with expansion plans in 1968.

Puerto Rico

Puerto Rican farmers entered 1967 in weaker financial condition than a year earlier and the trend continued during 1967. Lower farm income due to lower crop production and the higher costs of farming contributed to the weaker condition.

The 1967 sugarcane crop was adversely affected by a prolonged drought and produced slightly less sugar than the lower-than-usual production of a year earlier. Coffee output, also affected by the drought, was about 8 percent less than the previous year. Tobacco, the third of the major Puerto Rico crops was affected more by a major reduction in marketing quotas than by the drought, resulting in a crop valued approximately one-fifth below that of 1966.

Livestock and livestock products are the main sources of Puerto Rican farm income. Dairy production continues to increase. Net income of dairy farmers is continually being affected by the higher costs of production.

The movement of workers from the farms to jobs in industry continues. This has caused a shortage of farm labor at wages farmers are able to pay and is resulting in more farmer expense for mechanization and in many cases less profit from crops. The livestock industry, which lends itself to less hand labor and more mechanization, is accounting for most of the increase in Puerto Rican agricultural production.

The continuing industrialization on the island provides an increasing portion of the income of farm and rural families. Those families with one or more members working off the farm in an industrial plant are attaining higher levels of living with the added income.

Farm credit was adequate in 1967, although at slightly higher average rates than a year earlier. Renewals and delinquencies on loans are expected to be up from 1966, due mostly to lower yields of crops. The demand for farm credit in 1968 is likely to be strong and is expected to be adequately supplied from the usual sources. Because of the continuing downtrend in crop production and higher costs of farming, lenders may show more caution in extending credit. More reliance will be put on repayment capacities of the borrowers.

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